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Research Bulletin

Corporate Social Programs:
Nontraditional Assistance

by Anne Klepper

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THE CONFERENCE BOARD, INC.
845 Third Avenue, New York, N.Y. 10022
THE CONFERENCE BOARD OF CANADA
25 McArthur Road, Ottawa, Ontario, K1L-6R3, Canada
THE CONFERENCE BOARD INC.
Avenue Louise, 207 Bte 5, B-1050 Brussels, Belgium

DURING THE 1970's, interest mounted in the ways corporations met various public responsibilities, particularly in those activities that fall outside "traditional" or charitable contributions. By definition, "traditional" or charitable contributions are gifts of cash and property deducted on line 19 ("Contributions") of the U.S. Corporation Federal Income Tax Return. All other assistance programs (cash, property, loaned personnel, and so forth, not taken on line 19) are here called "nontraditional."

Historically, U.S. firms have contributed to worthy social activities since post-Civil War days; and corporations have been allowed to take charitable contributions as deductions on their federal income-tax returns since 1936.[1] The Conference Board has been gathering and maintaining data on the dimensions of such contributions since 1943. The Board's *Corporate Contributions Survey* became an annual effort in 1974, and is considered the basic statistical document in this field.

Activity in the field of nontraditional contributions accelerated during the early 1980's. It was bolstered by the formation of "Two Percent" and "Five Percent" Clubs, groups of donors pledged to donate a fixed percentage of pretax net income.[2] There were also efforts by various activist stockholder groups to increase levels of corporate giving, and the recommendations of the 1982 President's Task Force on Private Sector Initiatives called for the assumption of increased responsibility by the private sector for social programs.

Companies committed to the concept of "good corporate citizenship" were naturally in the forefront of an effort to describe, tally and establish an information base on the ways in which corporate programs—both charitable giving and other assistance—were meeting these responsibilities. But the problems of defining and quantifying the varieties of aid were formidable.

Once an observer moved beyond the categories of charitable contributions, a thicket of various definitions and terms for other kinds of assistance was encountered. What should these forms of aid be called? Terms such as "noncontributions programs," "non-charitable deduction items," "business expense assistance programs," "nontraditional assistance programs," "corporate assistance programs," and so on, were offered. In addition, the problem was compounded by the range of suggested items to be included in aid categories—a span that seemed limited only by the imaginations and predilections of the authors of such suggestions.

Previous Conference Board research had shown that many firms lacked data on other than charitable contributions. During 1974, a Conference Board attempt to develop such data for the Commission on Private Philanthropy and Public Needs (the Filer Commission) yielded very little in the way of statistical data.[3] Again, a 1980 Conference Board survey of the corporate contributions function showed that only a small number of firms—less than 10 percent—were in a position to produce such data.[4] Several companies at that time indicated that they were instituting accounting systems designed to capture such data. At the same time, however, other firms reported that they were reluctant to engage in such a data-collection effort, since it would necessitate the expansion of staff and might introduce misunderstandings about the nature and dimensions of their contributions programs.

Underlying all of these difficulties was one of measurement. Many forms of aid could not be precisely evaluated in dollars-and-cents. Moreover, the measurement process itself was clouded. This difficulty in the measurement process has been described by Daniel Yankelovich:

"The first step [in a research investigation] is to measure whatever can be easily measured. This is okay as far as it goes. The second step is to disregard that which

[1] In the Revenue Act of 1936, Congress extended to corporations the charitable income-tax deduction, which had been available to individuals since 1917.

[2] In recent years, there have been a number of 2 percent and 5 percent clubs organized around the country. Most clubs use a combination of charitable contributions and business expense items as criteria for membership. Accordingly, comparisons with Annual Survey data (which are based on IRS charitable deductions) are not possible.

[3] James F. Harris and Anne Klepper, *Corporate Philanthropic Public Service Activities*. The Conference Board, Report No. 688, 1976.

[4] Kathryn Troy, *The Corporate Contributions Function*. The Conference Board, Report No. 820, 1982.

can't be easily measured or give it an arbitrary quantitative value. This is artificial and misleading. The third step is to presume what can't be measured easily really isn't important. This is blindness. The fourth step is to say what can't be easily measured really doesn't exist. This is suicide."[5]

Refining the Measurement Process

During 1980 and 1981, the Contributions Council of The Conference Board launched a special project aimed at defining and measuring "nontraditional assistance programs." The Council's members first compiled a "laundry list" of 50 separate possibilities as a starting point (see Exhibit 1).

The Council's task forces focused attention on such criteria as the importance, definition, measurability, credibility, internal-external usage, and accounting procedures involved in nontraditional assistance. Only items having a high degree of credibility, and generally regarded as noncontroversial by a majority of contributions professionals, were finally included.

Based on the definitions developed by the task forces, a questionnaire was designed and distributed to 112 U.S. companies, known to have substantial contributions budgets, during late 1982.

The questionnaire embraced seven major categories of assistance:

(1) Cash donations to 501 (c) (3) organizations *not* claimed as charitable deductions;[6]

(2) Loans of company-paid personnel;

(3) Property donations *not* claimed as charitable deductions;

(4) Donation of facilities and/or services;

[5]From S. Prakash Sethi, "Getting a Handle on the Social Audit," *Business and Society Review*, Winter: 1972-1973, Number 4, page 37.

[6]There are some 20 categories of tax-exempt organizations in the Internal Revenue Code. Tax exempt does not mean tax deductible. Basically, only contributions to nonprofit organizations with 501 (c) (3) rulings (charitable, religious, scientific, educational, and so forth) may be taken as charitable deductions. There are a few exceptions, such as voluntary fire departments with 501 (c) (4) rulings, but this is not a consequential block. Chambers of commerce and trade associations are 501 (c) (6) nonprofit, tax-exempt organizations, but moneys paid to them are business expenses and *cannot* be taken as charitable deductions.

Exhibit 1: Range of Items Considered for Presently Unreported Nontraditional Corporate "Contributions"[1]

Cash Payments Not Deducted as Charitable Contributions

To non-501 (c) (3) not-for-profit organizations (trade associations, chambers of commerce, and so on)
1) On a selective basis only
2) Membership dues not to be included
3) Only where payments are higher than value received by the donor company

Fund for supplementary financial support to organizations, irrespective of tax classification, in which employees or retirees are active participants

Tax payments in lieu of contributions (applicable in foreign jurisdictions)
1) Tax de Apprentissage (France)[2]
2) Tax de Formation Professionnelle (France)[2]

Nontraditional investments in organizations deemed to have a socially useful purpose

In-Kind Contributions

Donations of company products or services to not-for-profit organizations
"Bargain" sale of company products or services to not-for-profits (fair market value less actual selling price)
Company-owned furniture or equipment to not-for-profit organizations
Payments to suppliers for items given to not-for-profit organizations
Public-service time on company's radio or TV stations
Public-service ads in company's commercial publications

Other Programs Involving Company Products or Services

Imputed interest cost on loaned products and equipment
"Soft," or below-market, loans
Product promotion tie-ins with not-for-profit organizations
Cost of captioning TV commercials for the deaf

Exhibit 1: Range of Items Considered for Presently Unreported Nontraditional Corporate "Contributions" (continued)

Special Education Programs

Employee tuition refund-program costs
Employee educational loan-program costs
Post-doctoral fellowships for non-U.S. academics assigned to company in the United States
Tours by non-U.S. academics of U.S. universities and company facilities
Academic sabbatical and exchange programs for selected company employees to teach or conduct research
Direct costs of educational or scientific seminars for academics, scientists and business people (undertaken for other than marketing purposes)
Direct costs of preparing, presenting and distributing nonmarketing scientific and technical papers
Direct costs of preparing nonmarketing educational publications for schools and colleges
Direct costs of making nonmarketing films for schools and community groups
Underwriting costs of academicians visiting selected colleges to advise on curriculum development and other subjects

Special Equal Opportunity Programs

Programs to increase company purchases from minority businesses
Investments in minority business enterprises
Summer-employment programs for minorities
Special in-plant programs (e.g., career counseling)
Tickets to museums, special events, and so forth

Other Special External Programs and Activities

Public-service activities (e.g., funds to help support local tax levies)
Projects with or for community groups (e.g., Special Olympics, athletic programs for the underprivileged)
Major community rehabilitation projects
Activities to attract new business to local communities
Loans to economic development organizations
Honoraria and expenses for retirees serving as volunteers to nonprofit entities
"Partnership Programs" (e.g., self-help social programs)

Cost of Employee Time Off the Job

Social service leaves of absence
Loaned employees (for extended periods)
United Way volunteers (external)
United Way activities (internal employee campaigns)
Community organizations volunteers
Public office
Volunteer firemen
Donating blood

Selected Company Costs Related to Not-for-Profit Activity

Corporate contributions and foundation component (administrative costs)
Community-services and public-affairs component (part) for social-service activities
Government-relations component (part) for public-service activities
Educational relations component
United Way employee campaign costs (all)
Attendance at professional meetings related to contributions or social-service activities

[1]As developed and evaluated by the Contributions Council of The Conference Board, a group of 55 senior contributions executives in major U.S. corporations who exchange information on contributions policies and practices.

[2]Taxes paid on salaries for apprenticeship and professional development.

(5) Loans and investments made at below-market-yield rates;

(6) Cost of administering contributions programs;

(7) Research funds to educational institutions for basic research taken as business expense.

In addition, the respondents were asked to indicate, for each of the areas above, whether the dollar values were "actual" or "estimated."

Survey Response

Of the 112 companies receiving the questionnaire, 108 had charitable contributions budgets in excess of $2 million annually. Eighty-one companies (72 percent of the firms) responded. Of these, 19 firms reported that they were unable to provide data on nontraditional assistance programs—either because such data were not available within the company or because the firm did not participate in such programs. Thus, 62 firms provided detailed information on the seven categories of assistance previously cited.

It should be noted that these 62 companies are major U.S. corporate givers. Their charitable contributions budgets total almost $450 million, or approximately one-sixth of the total given by corporations. In addition, the total value of nontraditional assistance for these firms was $136 million, or 30 percent of the amount the companies reported as charitable contributions.

Survey Findings

As might have been anticipated, many firms with large charitable contributions programs are also involved in nontraditional assistance.

Exhibit 2 shows the size of the firms reporting on their nontraditional assistance programs—ranked by the size of the charitable contributions budget. Of the 44 manufacturing firms that participated in the survey, half rank among the 50 largest corporate donors in the United States.[7] Of the eighteen nonmanufacturing firms, five rank among the fifty largest corporate donors.

Approximately one-third of the nonmanufacturing companies that responded to the survey were insurance companies. This is explained by the fact that the insurance industry has a head start on tracking nontraditional assistance activities, partly as a result of the work by the Center for Corporate Public Involvement (formerly known as the Clearinghouse on Corporate Social Responsibility).

While many firms had thus far not installed accounting procedures to track all of these nontraditional program expenditures, others have and can report the value of

[7]Kathryn Troy, *Annual Survey of Corporate Contributions, 1983 Edition*, The Conference Board, Report No. 833, 1983, page 20.

Exhibit 2: Charitable Contributions Budgets of Manufacturing and Nonmanufacturing Firms Supplying Data on Nontraditional Assistance Programs for 1981

Manufacturing Firms Ranked by Size of Charitable Contributions Budget[1]	*Nonmanufacturing Firms Ranked by Size of Charitable Contributions Budget*[1]
44,648,872	11,100,287
31,055,000	8,620,106
23,214,000	6,322,000
17,935,000	6,166,220
16,066,000	6,079,433
12,350,000	4,317,663
11,318,801	4,189,618
11,242,896	4,025,000
10,541,000	3,935,239
9,859,953	3,810,917
9,658,425	3,676,151
9,605,894	3,552,395
9,040,000	3,217,668
8,656,527	2,715,816
8,505,000	2,705,670
8,428,000	2,414,997
8,117,457	2,210,000
7,204,110	1,604,617
6,668,397	$80,663,735
6,568,437	
6,265,000	
6,030,720	
5,351,991	
5,101,238	
5,100,000	
4,963,000	
4,906,244	
4,887,395	
4,636,151	
4,342,998	
4,160,498	
3,994,775	
3,872,000	
3,844,455	
3,806,665	
3,683,967	
3,605,901	
3,604,083	
3,451,056	
3,383,597	
3,102,687	
2,978,788	
2,213,591	
956,576	
$368,927,545	Total: $449,591,340

[1]Charitable Contributions, reflecting both direct corporate giving and company foundation grants, in 1981, as reported for the Conference Board Corporate Contributions Survey.

these down to the penny. If the companies involved had chosen to keep their books differently, and had been able to claim all of these nontraditional programs as charitable contributions, their total charitable donations would have loomed larger and the percentage of contributions to pretax net income would have been significantly higher—particularly for those with expenditures of over $1 million.

Exhibit 3 shows 29 companies that supplied dollar data on four or more of the seven areas in the survey, ranked by charitable contributions as a percent of worldwide pretax net income (one loss company that supplied data is omitted). Of the 29 companies, 22 are major multinational manufacturers, the others are banks and insurance firms. This exhibit also shows nontraditional dollars, including and excluding administrative costs as percentages of worldwide pretax net income. Although the sample is small, it does make possible some comparisons between charitable contributions and nontraditional dollars as percents of PTNI.

It has often been asserted that nontraditional dollars equal or exceed charitable contributions—that they are double or triple in amount. The limited evidence available here does not bear out that assertion. In only three cases does nontraditional assistance outstrip charitable contributions; in no case are they equal. In six cases, the nontraditional assistance is 60 to 80 percent of the charitable contributions. But in most instances, nontraditional funds are *well below* the charitable ones, with a cluster around one-third of the latter total.

Table 1 shows nontraditional assistance dollars by category of giving for the 62 companies that reported such data. The area of greatest support (29 percent of the dollars) was research dollars disbursed to educational institutions for "basic" research and taken as business expense. Tax considerations account for the spurt of

Exhibit 3: Charitable Contributions and Nontraditional Assistance as Percent of Worldwide Pretax Net Income, 1981 (Loss company omitted)[1]

Survey Respondents Ranked By Charitable Contributions as a Percent of Worldwide Pretax Net Income		
Charitable Contributions as Percent of Worldwide Pretax Net Income	*Nontraditional Assistance as Percent of Worldwide Pretax Net Income*	*Nontraditional Assistance (excluding Administrative Costs) as Percent of Worldwide Pretax Net Income*
.27	.40	.38
.34	.02	.01
.34	.03	.02
.46	.07	.05
.47	.07	.03
.47	.18	.15
.48	.19	.14
.48	.21	.17
.49	.18	.17
.52	.15	.13
.52	.41	.40
.61	.13	.09
.71	.26	.10
.82	.88	.84
.86	.18	.08
.87	.58	.51
.87	.19	.05
.99	.85	.64
1.06	.69	.65
1.27	.14	.10
1.36	.13	.09
1.47	.88	.83
1.58	.19	.16
1.75	.26	.17
1.86	2.03	1.94
2.08	.57	.45
2.10	.20	.08
4.06	.24	.04
9.35	7.26	6.77

[1]For 29 Companies supplying data on four or more nontraditional assistance items.

Table 1: Nontraditional Assistance by Category of Assistance for Calendar Year 1981 (62 companies)

Category of Assistance	*Dollar Value of Assistance*	*Percent*
Grants for basic research	$39,554,964	29
Loan of company-paid employees	27,617,655	20
Costs of administering the contributions function	25,600,656	19
Grants to 501 (c) (3) organizations not reported as charitable deductions	18,451,972	14
Below-market rate loans/investments	16,159,297	12
Donation of products and property not reported as charitable	6,053,400	4
Provision of services and facilities	2,619,545	2
	$136,057,489	100%

dollars in this category. "Loaned personnel" was second, not the dominant category that some may have expected because of public attention focused on this area.

Surprisingly, only 2 percent went to providing facilities and services. Companies may not have accounting procedures to track such dollars, or may feel they are too small to warrant the work involved.

Cash Donations to 501 (c) (3)s Not Claimed as Charitable Deductions

As noted, U.S. firms report charitable contributions (cash and property) on line 19 of the U.S. Corporation Income Tax return. Under the Economic Recovery Tax Act of 1981, the maximum deduction for such contributions was doubled from 5 percent (which had been set in 1936) to 10 percent of a firm's taxable income. The exact valuation of donated property is governed by the Internal Revenue Code and regulations.

Some items may be taken as charitable contributions *or* as business expenses—in either event they are 100 percent deductible. The choice of category hinges on advice the firms receive from their tax and accounting counsel. Substantial confusion prevails because companies differ significantly in their practices.

One of the major problem areas involves funds given to public TV and/or radio: Company A may underwrite a public TV program and choose to pay for it out of its charitable contributions budget. At the same time, Company B may decide to underwrite an almost identical program—but take the moneys out of its advertising or promotion budgets and claim it as a business expense.

In other instances, special events (benefits, awards dinners, etc.) provide examples of disparate company practice. One firm may keep detailed records and claim an appropriate portion of the event's expense as a charitable contribution. Another may choose to write off the entire expense as a business cost.

Thirty-two of the firms responding provided dollar amounts on the payments they made to 501 (c) (3) organizations that were *not* claimed as charitable contributions (about half of these were estimates rather than actual figures). The amounts claimed ranged from $10,000 to $4.3 million, with a median of $206,000.

Six of the companies reported nontraditional assistance programs in excess of $1 million in this category. The 32 companies reporting on nontraditional expenditures to 501 (c) (3)'s contributed more than $18 million in all.

Loans of Company Personnel

For a number of years, companies have been "loaning" personnel to a variety of nonprofit and government agencies. These personnel, whose salary and benefits costs are paid by the company, provide specialized management and technical assistance to the organizations to which they are "loaned."

For the purposes of this study, it was specified that such loans must be entirely voluntary (not mandated, as in the case of jury duty) and that firms should not include the value of employees' time spent serving as volunteers on personal outside activities (school boards, fund drives, and so forth). The question of the value of loaned personnel, and its importance to the voluntary sector, is one of increased interest to both business and the media. But not much attention has been directed to precise definitions, uniform criteria, or the development of reliable economic data. Such data are not easy to develop.

Only 29 of the companies responding were able to provide dollar values on the worth of loaned personnel time. And more than half of these values were estimates.

The total value of loaned personnel by the companies responding was more than $27 million—the second largest area of support found in the survey; the median was $200,000. Four of the respondents, well-known in the field of contributions for their loaned personnel programs, reported costs for this purpose in excess of $1 million each.

Company practices on accounting for such personnel costs vary widely. Some firms establish a minimum threshold of hours, days or weeks before they classify employees as "loaned" and begin to track salaries, benefits and other costs. Seventeen of the twenty-nine firms that responded on this practice had such minimum time requirements. They range from as little as five days to as much as six months. The most common time period was two to four weeks.

About half of the companies required that the loaned employee be working off his or her regular job site; the remaining half did not distinguish between the places of employment. Approximately half of the 62 companies responding say that they do not have such programs, or that they do not now track the costs of loaned personnel.

Property Donations *Not* Claimed As Charitable Deductions

Under the Internal Revenue Code, corporations are permitted to take charitable deductions for donations of products, equipment and other property (real estate, securities, and so forth). This is common corporate-accounting practice. For some firms in the food, pharmaceutical and computer industries, a major portion of contributions programs consists of donations of product inventories. In these firms, the value of such donations may account for as much as 85 percent of charitable contributions.

The Internal Revenue Code (in particular, the Tax Reform Acts of 1969 and 1976) sets forth in detail the methods by which such donations should be valued. As a general principle, product is valued at manufacturer's cost. Exceptions are giving products for use of the ill, needy and infants, and for certain educational products. In those cases, up to twice manufacturing costs may be deducted. Donations of equipment and other property may be taken at fair market value. The Code contains numerous technical provisions and exceptions that are applicable to appreciated property and capital gains.

The survey was designed to pinpoint those donations of property that had *not* already been taken as charitable deductions. Thirty firms indicated that they had made such donations, but only 21 were able to document the dollar value of their contributions. The total value of those reporting dollar amounts was $6 million; the median was approximately $100,000.

Donation of Facilities and/or Services

Previous Conference Board research has established that companies have long made a variety of facilities and services available to nonprofit organizations, either at no cost or at below-cost rates of reimbursement. But firms often make no attempt to track the value of these donations (space, computer time, printing, and so forth). Terminology in this area is also imprecise. Sometimes such services are referred to as "in-kind gifts." At other times, the gifts of product and equipment are lumped with the use of facilities and services. Muddling the issue further, some firms include loaned personnel with all of the above items in an "in-kind" category of assistance. In an attempt to avoid such confusions, the term "in-kind" was not used in the survey. Individual types of assistance were described instead.

Twenty-eight of the responding companies were able to place a dollar value, totaling $2.6 million, on the donation of space and services to nonprofit entities. Eight of the firms said that the value of such services ran to $200,000 or more; the median value for all firms was approximately $50,000.

Loans and Investments at Below Market-Yield Rates

Some firms—primarily financial institutions—have made loans or investments for "social purposes" at rates of return below what the firms would have realized in regular business transactions. This reduction in interest income may be considered as a "donation." Typical of such loans are those that are obtained by minority businesses, home mortgages in blighted or disadvantaged urban areas, and the like. Thirteen of the companies studied had developed data on the value of such reductions in interest income. For several of the banks and insurers involved this amounted to a substantial figure, with one firm estimating that its foregone interest added up to more than $8.9 million in 1981. For the relatively few manufacturing firms that engage in such activities, the dollar values were lower, averaging approximately $150,000. The majority of the companies surveyed did not engage in this kind of nontraditional assistance.

Cost of Administering Contributions Programs

Most firms, as a matter of good business practice and because of existing internal controls, are well aware of the basic costs attributable to the administration of the contributions function. Basic components include staff salaries and wages; personnel benefits; travel and meeting expenses; office space costs; telephone, telegraph and postage costs; consultants' fees; accounting costs; and legal and auditing service fees.

In the case of those companies that assign personnel on a full-time basis to manage a contributions function, the costs of staff are easily ascertained. But even among those firms that assign people on a part-time basis, it is possible to estimate the percentage of staff time applied to administering the contributions function. Since nearly all of the companies surveyed had substantial contributions budgets, it was expected that all had at least one person engaged full-time in this function.

Respondents' Comments

As noted previously, 19 of the 81 firms responding to this survey were unable to provide precise dollar data but many of these did indicate that they were moving to obtain such data during 1983. Typical of the comments made by this group are:

•"Our program of reported contributions is all cash. While we have worked hard within our decentralized organization to coordinate operations and reporting in the area of cash contributions, we have no mechanism in place to track any of the categories of service in this Conference Board survey. We are, in fact, somewhat ambivalent at beginning to record it. As soon as one starts to quantify those categories, there is a temptation to control the activities."

—Manager, Foundation, a major retailing firm.

•"Because of our unique corporate strategy of addressing major unmet social needs as profitable business opportunities, we do not undertake a program of widespread cash giving. . .consequently our tracking and accounting of our investments is not transferrable to your questionnaire."

—Director, Public Affairs, a major manufacturing firm

•"While we do provide in-kind contributions of equipment to qualified nonprofit organizations, we do account for such grants in the *Annual Survey of Corporate Contributions*. Other forms of nontraditional assistance, such as the use of our facilities and equipment, along with the loan of our personnel, does take place. However, we have not yet structured our program to realistically account for such services."

—Corporate Contributions Administrator, an equipment manufacturer.

•"In the midst of a significantly expanding granting program here, which has nearly tripled in two years, we have found it impossible to mount the truly *major* effort that would be required to quantify, even approximately, the information you seek. Our people are so widely involved in volunteer activities, none of which are charged to philanthropy, that an initial survey to establish this information would require setting up a project which would have to range over hundreds of physical sites. Citizenship is an expected way of life at our company and manifestations of this corporate objective are legion."

—Executive Director, Foundation, a machinery manufacturer.

•"We are designing a questionnaire which, we hope, will bring to light our involvement in social, educational and other nonprofit groups not made through corporate contributions. We are working with the accounting department and hopefully will have this information available soon."

—Manager, Corporate Contributions, a food company.

It is obvious that it takes time, effort and expense to track nontraditional assistance efforts. Nonetheless, several companies not already doing so are moving in this direction in order to obtain a more comprehensive analysis of their total social involvement—and the costs thereof. One firm notes that "depending on the total figure, we will either redesign our expense codes to capture such figures automatically, or continue to do it annually by the slow questionnaire method."

Of the 62 firms that were able to provide dollar information in the survey, 52 had administrative cost data. In total, the companies studied spent $25.6 million to administer their contributions programs. At the low end of the spectrum, one firm spent $10,000; at the opposite end, a company spent $3.6 million in administrative costs. The median for all firms was approximately $200,000. For about half of the companies, the dollar amounts reported were characterized as actual figures rather than estimates.

Twenty of the firms had company foundations and were able to separate the costs for running the foundation's program from the costs for administering the direct corporate giving program. There was no discernible pattern in an analysis of these costs. For example, in a handful of cases all the costs for contributions administration were charged to the firm's foundation. But in most cases the costs were divided. In some instances, the cost of administering the foundation program exceeded the cost of running the direct corporate program; in other instances, the opposite was true. These variations reflect the nature of the company's contributions program, and are heavily influenced by whether the company is involved in a foundation or direct-giving program as the dominant mechanism used to make grants.

An analysis of the administrative costs, as a percentage of the company's contributions budget, showed a range from 0.12 percent to 32 percent. The median was 5.0 percent, generally in conformance with Conference Board estimates based on earlier contributions surveys.

Research Funds to Educational Institutions for Basic Research

Prior to the Economic Recovery Tax Act of 1981, most grants given to colleges and universities to fund basic research—research not having a specific commercial

objective—were generally taken as charitable contributions. The 1981 Tax Act made it possible to take such "basic research" donations as a business expense without having to show a commercial objective. The Act also provided for a special tax credit for such expenditures. The dollars contributed are usually included in the R&D and technology budgets of the company and the amounts involved can be substantial. The grants, taken in addition to those grants made to institutions of higher education as straight charitable contributions, can be added together to augment a company's "contributions to education" activity.

As it turned out, this category was the most important area of support found in the survey. A majority of the manufacturing companies in the study (26 out of 44) made such basic-research expenditures as business-expense grants. As might be expected, petroleum, chemical and pharmaceutical firms made significant grants in this sector. Nearly $40 million in business expense was reported by 26 companies, constituting 29 percent of all the nontraditional assistance dollars reported. The grants range in size from $25,000 to nearly $12 million, with a median value of $640,000.

Summary

This brief study was a preliminary attempt to ascertain what data were available in the nontraditional corporate assistance areas. The collection of precise data on the dimensions of such assistance is still in an early stage, even among the most sophisticated corporations with substantial involvement in such programs. However, interest in this area is growing rapidly and serious attempts are being made to capture such data and present them in credible form.

The most perceptive practitioners in the area (and their managements) are aware that there are temptations to exaggerate the value of such programs and are making meaningful attempts to eliminate such possibilities. Developing precise data on nontraditional assistance requires time, effort and expense, and is not always easy to justify in a recessionary period. Nonetheless, there is evidence that companies are firmly on such a tracking course.

As a result of this feasibility study, it was decided to expand the Board's 1982 *Annual Survey of Corporate Contributions* to include data on both charitable contributions and nontraditional assistance.